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Sustaining local audiovisual ecosystems. Shifting modes of financing and production of domestic TV drama in small media markets

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In: 'New directions in film and television production studies', Proceedings

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To refer to or to cite this work, please use the citation to the published version:

Raats, T.; Evens, T. & Ruelens, S. (2015). *Sustaining local audiovisual ecosystems. Shifting modes of financing and production of domestic TV drama in small media markets*. Paper presented at 'New directions in film and television production studies', April 14-15, 2015, Bristol, United Kingdom.

Challenges for sustaining local audio-visual ecosystems: Analysis of financing and production of domestic TV fiction in small media markets

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Abstract

Various trends, both technological and economic in nature, have led to a shift in the financing and production of serial television fiction (principally television drama and episodic comedy), resulting in pressure on existing financing of TV fiction. These pressures prove especially difficult for small nations and regions, being characterized by restricted markets, a limited number of active players, and barriers for export and scale. For media policy-makers, these transitions invoke a series of new challenges to sustain existing audio-visual ecosystems. Based on a case study of TV fiction in Flanders, and presenting evidence from a financial analysis of 46 TV fiction productions, this article analyses current financing streams, patterns and dynamics of TV fiction in small media markets. It seeks to reveal the composition of budgets and the relative importance of diverse agents and funders involved in TV fiction production. Critical evaluations are then offered as to whether current financing models and policy support mechanisms are fit to tackle the challenges posed by the increasing number of windows and increased fragmentation of TV fiction financing.

Keywords

TV drama; TV production and financing; audio-visual policy; small media markets; independent television production; market sustainability

Introduction

Serial TV fiction (principally television drama and episodic comedy) is considered a crucial part of audio-visual markets, both in cultural and economic terms. Domestic TV fiction is – like many other forms of domestic programming – considered vital as part of a pluralist media environment. TV fiction allows nations to represent their historical, societal and cultural backgrounds and diversity, and shed light on the workings and issues in past and present day society. As such, domestic content is said to function as a window for representing cultures and regions across Europe and beyond (Bignell and Fickers 2008; Bondebjerg et al. 2015). For example, our modern understanding and sense of identity of Europe and European-ness is achieved partly through encountering representations of Europeans from other nations on-screen, and television fiction is pivotal (Bondebjerg and Madsen 2008; Bondebjerg and Novrup Redvall 2011).

In economic terms, TV fiction and its production are pivotal for a sustainable and professional media market. Quality drama can attract large audiences and consequently may be included in broadcasting schedules to increase brand loyalty and brand image. For the audio-visual production sector – especially independent producers – TV drama, more than any other type of programming, contributes strongly to the professionalization of the sector; drama involves larger budgets, which allows companies to generate higher profit margins and create continuity within their business strategy. Serial fiction, as *stock programmes* (contrary to *flow programmes*) (Pauwels 2000), allows further exploitation and additional revenue, for example, from sales on multiple platforms, reruns, on-demand offers, DVD exploitation and international sales.

However, various trends, both technological and economic in nature, have led to a shift in the financing and production of television drama, consequently putting pressure on the existing financing of TV fiction. On the one hand, new services and platforms have provided new windows, and, hitherto, new potential outlets for revenue, including video-on-demand, subscription VOD such as Netflix, premium content and previews (De Vinck et al. 2013: 16). On the other hand, these new distribution platforms bring about an increased fragmentation of content financing. Broadcasters are heavily pressured as their advertising revenue decreases and public financing faces cutbacks.

This proves especially difficult for small markets, being characterized by restricted markets, a limited number of active players, and barriers for export and scale. For media policy-makers, these transitions invoke a series of new challenges to sustain existing audio-visual ecosystems.

Our article takes these transitions as a starting point to analyse current financing streams, patterns and dynamics of TV fiction in small media markets. It seeks to reveal the composition of budgets, the relative importance of all actors and funding involved in serial TV fiction production, and to assess whether current financing models and policy support mechanisms are fit to tackle the challenges caused by an increasing number of windows and an increased fragmentation of TV fiction financing. Evidence is based on a case study of TV fiction in Flanders (in the northern part of Belgium), a small market of about 2.5 million TV households where the production of TV fiction has increased markedly in the last decade, due partly to the increased interest of policy-makers in the sustainability of the independent production sector and high-quality drama (for both film and TV).

This article consists of four parts. The first contextualizes international trends and structural and contextual thresholds for audio-visual production, explaining difficulties in serial TV fiction financing, the need for cooperation between audio-visual players and the need for a coherent policy to sustain TV production in smaller markets. The second part presents the Flemish case as an example of a small market and describes the importance of TV fiction in Flanders. The third part outlines the different financial streams and the composition of budgets. Our evidence derives from an analysis of 46 Flemish TV series broadcast between 2009 and 2014, together with analysis of policy and sector documents (annual reports, press releases, policy documents, legislation). This provides the basis for our exploration of the relative importance of the various actors within the audio-visual ecosystem, and how their investments have evolved over the past five years.¹ The fourth and final part evaluates these challenges in light of new developments in TV markets and how they potentially affect existing patterns of financing.

Financing and production of TV fiction in small markets

The TV fiction market is traditionally characterized by several contextual and structural thresholds. Some of these characteristics relate to the supply and demand

conditions of the audio-visual product (Collins et al. 1988; Küng 2008; Picard 2011; Caves 2000), while others relate to economies of scale problems small media markets face in financing media production (Pauwels 1995; Puppis et al. 2009). One important economic aspect is the *non-rivalry* and *non-excludability* of audio-visual products (Armstrong and Weeds 2007). Contrary to other economic goods, in principle no-one can be excluded from audio-visual consumption (i.e. what is available for one consumer is available for all), nor does the audio-visual product disappear after its consumption (Collins 2008: 309). TV fiction, like most audio-visual works, allows for multiple reuse which may be more valuable than the original use, in this case predominantly the first broadcast on free-to-air television, defined as ‘windowing’ (Nelson 2013). The value and revenue streams of a particular TV fiction can be maximized through several release windows including pay-TV (preview), free-to-air (original broadcast), catch-up (available for a limited period of days after original broadcast), video on demand (either transactional/TVOD, or subscription/SVOD), DVD, international licensing and merchandising (Dally et al. 2002; Vogel 2007: 118; Drake 2008). Because investors take high risks and see income opportunities in the exploitation of (new) windows, claiming, negotiating and retaining control of the most lucrative windows is a crucial part of financing TV fiction. The shifting chronology of windows and the great uncertainty about the success of new platforms and services (e.g. Netflix) result in tough negotiations between producers, broadcasters and other investors such as distributors, in order to secure the ability to monetize as many secondary and tertiary rights as possible.

Furthermore, TV production is characterized by relatively high investments and high-fixed costs, and relatively low distribution costs: rebroadcasting an episode costs little, whereas original productions require high budgets in terms of scriptwriting, directing, filming, editing and promotion. High-quality productions require similar budgets regardless of the size of the broadcaster, audience or country of primary transmission. Hence, the financial risks associated with original programming are higher than with licensed programming that is bought from international markets (Hoskins and McFadyen 1991). For TV drama especially, production value and potential success depend heavily on available resources to allocate to the time for developing projects. The large investments up front weigh particularly heavily on production companies, who often invest considerable time to the creative process involved in outlining projects without any guarantee they will be

picked up for development by broadcasters. A further characteristic of the ‘risky business’ of audio-visual production is the highly uncertain consumer demand for such goods. The success of any individual series is unpredictable, and depends on various factors, such as casting, branding, intrinsic and perceived quality, scheduling strategies, viewer preferences, and even the weather (Schültze 2005). Although many series build on successful formulas, continuous creativity and innovation is a requirement in the TV production sector. In other words, the most innovative TV narratives, while adhering to quality standards, often emerge from ‘throwing mud against the wall and see[ing] what sticks’ (Hesmondhalgh 2007: 17–18).

TV fiction series are, in most cases, examples of single-creation products made on a project-oriented basis (Scott 2004; Turner and Tay 2009). Single-creation products are creative products which require significant marketing and sales costs. Owing to high failure rates, their production and exploitation is extremely risky (Picard 2011). Since the financing of serial TV fiction production occurs on a project-by-project basis, independent producers also face difficulties in developing long-term strategies and creating a business continuity plan. On top of that, given its project orientation, working in the audio-visual sector is cyclical and relies on the temporary input of a large number of professionals for a dedicated period. Producers therefore often refrain from HR policy, as well as investing in training and talent management (Starkey and Barnatt 1997; Raats et al. 2013).²

The project-oriented character also makes the sustainability of independent producers heavily dependent on the commissioner, in most cases the broadcasters. The TV production sector is typically described as a cottage industry, characterized by a large number of small companies with minimal resources and investment capacity (Mediatique and Horsman 2005; Doyle and Paterson 2008), interconnected within a temporary web or project network of dependent players (Starkey et al. 2000; Sydow and Staber 2002). The presence of a large number of mostly small producers and the fewer number of broadcasters and distributors creates power asymmetry in the market, where broadcasters have more leverage during negotiations with independent producers. With relations of power skewed towards the leading broadcasters, producers’ independence restricts itself to their name and ownership status, rather than their product (Christophers 2008). In small markets, independent production shows even larger fragmentation, with various production companies being dependent on a limited number of broadcasters commissioning content.

Power asymmetry is also linked to the problem of (nearly) full funding, which gives the commissioning broadcaster the privileged position in most cases to exploit the resulting programmes. Unlike in the United States, where producers share a portion of the financial risks in production in return for ownership of secondary and tertiary rights (aka deficit financing), broadcasters in Europe tend to cover most production costs. Whereas producers have limited ability to accumulate and exploit capital assets, broadcasters taking most of the risk can also in most cases exploit most of the programming rights (Doyle 2013).

There are several factors that characterize small markets that are decisive for the success of TV fiction production (Pauwels 1995; Puppis et al. 2009; Raats et al. 2015). First, a lack of scale in markets prevents audio-visual content from employing the same cost-intensive standards that high-quality domestic content requires. Audio-visual works in small countries are mostly low to very low-budget productions. This also restricts opportunities for export and competition on an international scale. Second, language and cultural specificity manifest themselves as burdens for circulation of domestic audio-visual content, and hence structural forms of financing. Scandinavian series might have been popular in recent years, but they have been the exception rather than the rule. Statistics indicate a huge lack of non-national domestic TV content in national markets, with the exception of British content, and a continued dominance of US import (Schooneknaep and Pauwels 2014). Third, smaller audio-visual markets are often dependent on neighbouring large countries, thereby hampering the development of autonomous professional audio-visual sectors.³

Given its cultural and economic importance, governments entrust funds, regulators and public broadcasters with a specific remit to sustain the level of home-grown, domestic TV drama (Ofcom 2009, 2014; Barwise and Picard 2014). In the last two decades, various direct (e.g. subsidies) and indirect government (e.g. fiscal measures) support mechanisms have been developed as part of an ‘audio-visual toolkit’ (Raats et al. 2015) in small nations to sustain domestic fiction. Indeed, the success of the acclaimed ‘Nordic Noir’ trend, with series such as *Borgen* (2010–2013), *Bron/Broen/The Bridge* (2011–) and *Forbrydelsen/The Killing* (2007–2012), reveals the decisive role of government intervention, multinational distribution and visionary strategies, together with huge investments by the Danish public broadcaster DR (Novrup Redvall 2013; Jensen et al. 2016).

Introducing the case of Flanders

Flanders possesses the characteristics of a small market, but with specific peculiarities. It is a market of about 2.5 million TV households. More than 80 per cent of the television market share is reached by three main broadcasters: the public broadcaster VRT and its commercial counterparts Medialaan and SBS. The distribution market is dominated by cable operator Telenet with over 80 per cent market share. The production market itself is scattered over more than 50 external producers. Recent years have seen various forms of consolidation. Various smaller production companies have either merged, ceased their activities, or have been integrated partly or fully into international production companies (VRM 2015). Many of these smaller companies rely solely on commissions from the public broadcaster VRT. The Flemish market for TV fiction is, contrary to its French-speaking counterpart, characterized by the enormous popularity of domestic content, and hence a professionalized audio-visual sector (Saeys and Antoine 2007).

The Flemish independent audio-visual production sector is relatively young, and has professionalized over twenty years with multiple branches within the sector now generating fully fledged economic professions. The number of employers in the audio-visual sector rose slightly from 320 in 2008 to 363 in 2012 (VOTP 2014).

The expansion and further professionalization of the independent production sector is largely the result of an interventionist policy approach that emerged in the mid-2000s. The incorporation of the Flemish Film Fund into the Flemish Audio-visual Fund (VAF) in 2002 paved the way for a more economic focus and indirect support instruments. In 2003, a tax shelter was introduced, allowing fiscal advantages for companies investing in film and TV productions, and hence attracting additional foreign investments in Flanders. In 2010, the Media Fund was launched as part of VAF, specifically targeting TV production and responding to a direct call to producers and broadcasters for structural financing. In 2012, Screen Flanders, an economic fund attracting national and foreign investments in film and TV, was introduced and aimed at economic return. Lastly, in 2014, the so-called ‘Stimulation Decree’ was passed, enforcing distributors to invest in audio-visual productions and thereby introducing (like in the French-speaking part of Belgium and following a longer tradition in France) forms of auto- or participatory financing (Pauwels 1995; Raats et al. 2014).

Analysis of productions and financing

Research set-up

Several methodological challenges emerge when aiming to identify and assess TV fiction productions and their financing. First, in terms of generic definition, we categorized TV fiction as drama and episodic fiction produced by standards of audio-visual scripted productions aired on a weekly or biweekly basis (which excludes soaps, telenovelas, scripted reality and docu-fiction), with a minimum of twenty minutes (which excludes various children's TV series). We did not include animated series, re-edits of Flemish films into miniseries or co-productions where Flemish players only have minor stakes (e.g. *Parade's End* [2012]). Given their different funding, genre and exploitation, a distinction has been made between fiction longer than 35 minutes (coined as drama series), fiction shorter than 35 minutes (coined as sitcoms) and children's series longer than twenty minutes.

Second, it is important to distinguish between financing sources and revenue sources. The former comprises all types of financing composing a budget before the production. The latter comprises all returns generated after first broadcast (i.e. exploitation of secondary rights in merchandising, reruns, on-demand offer, etc.). Contrary to film, where broadcasting rights of films are sold up front, distribution partners take pre-sale rights that contribute to the budget; in smaller markets, the two types of sources remain relatively separated. Few successful TV drama series can effectively negotiate pre-financing deals with other broadcasters and distributors, or include profits of DVD and foreign sales in the production of the next season. However, given the advent of new market entrants and platforms, both become increasingly interlinked. A window for broadcasting TV fiction 'in preview' purchased by, for example, a pay-tv or 'over the top' (OTT) player, can now make up part of the budget as well.

In order to delimit a precise data set, we mapped 46 Flemish TV fiction series aired by Flemish broadcasters between 2009 and 2013, including productions from both independent producers and broadcasters' own in-house productions. The year of airing of the first episode was counted as year of broadcasting, which proved the most convenient comparative benchmark. We also assessed financial data retrieved from TV producers and broadcasters, including budget sheets of TV fiction productions which provide an overview of all costs and revenues of individual fiction series. For

the composition of budgets, series of 2014 were included, providing a five-year period in which to identify the relative importance of the various actors within the audio-visual ecosystem, and how their investments have evolved. However, a major methodological challenge, and research finding, in analysing these budgets lies with the fact that a consistent annual record of TV fiction is itself lacking. Data for mapping and comparing the number of series were aggregated from annual reports of broadcasters, independent producers' associations and the Flemish VAF. Data for the composition of budgets were retrieved from a variety of sources including the broadcasters themselves, independent producers, and the Media Fund's publicly available annual reports. All independent producers involved in TV fiction productions were contacted with a list of queries for each production. Data from the producers were – where available – double-checked with other sources from broadcasters and the audio-visual fund. The independent producers' guild VOTP encouraged its members to participate.

Despite such support, the research team encountered various thresholds for data collection, beginning with the fact that TV budgets are traditionally confidential and are rarely shared publicly. As such, we assured producers and broadcasters that data would be analysed in full anonymity and always presented in an aggregated form; no individual productions were identified and all insights that could hint at a specific production (despite being anonymous) were not mentioned (e.g., if there was only one TV drama series that includes a specific type of financing). As most children's series were produced by the same company, and are often cheaper to produce – which might invoke skewed analyses – children's series were also excluded from the financial analysis. Unfortunately, not all production companies offered their cooperation. Therefore, the data might be subject to an over-representation of some production companies and their financing models. Furthermore, when data were made available it was often incomplete. Because of inconsistency in reporting, no sufficient data on revenue and exploitation were available. Finally, the collected data could not take into account specific side-deals and contractual agreements involved in TV fiction productions (output deals, exclusivity deals) etc., which might also have a consequence on budgets.⁴

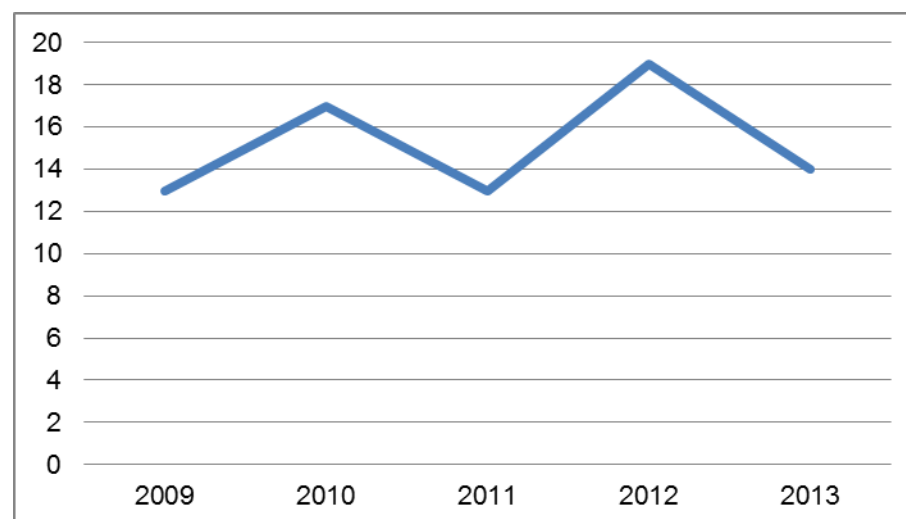
Mapping TV drama in Flanders

The production of TV fiction has increased significantly over the last decade and

remains at a high level. The supply of quality TV fiction follows the preferences of Flemish TV viewers: domestic series are among the most popular TV programmes in terms of viewing ratings (Raats et al. 2014; VAF 2015). Our analysis shows the number of local TV fiction productions ending up in the top ten of most viewed programmes annually increasing over the years, with six out of ten most popular programmes in 2013 being TV fiction. In comparison, in the Netherlands only six domestic TV series appear in the top 100, with none of them in the top 25 (Raats et al. 2014).

Our analysis shows an average of fifteen fiction series being broadcast annually by Flemish broadcasters (including sitcoms and children's series over twenty minutes long). Year 2012 showed a disproportionate number of productions being aired (nineteen), as two broadcasters anticipated a takeover of the third commercial broadcasters' SBS channels by a consortium including Flanders' most renowned production company (Woestijnvis). In total, 76 fiction series have aired between 2009 and 2013 (Raats et al. 2014: 42). Out of them 17% were children's series (>twenty min, no animation); 20% were sitcoms and 63% were drama series (i.e. TV fiction longer than 35 minutes).

Figure 1: Absolute numbers of TV fiction productions in Flanders ($n=76$).



Most series were aired on the generalist channel Eén (25) of the public broadcaster VRT or the largest commercial channel VTM (30), which between them are the only significant broadcasters for TV drama.⁵ Contrary to expectations, it was the commercial not public broadcaster that aired most TV drama productions. More

than half of all domestic series broadcast were series with more than one season (39 versus 37 one-offs). When excluding children's series and sitcoms, a clear difference is noticeable with VRT investing much more than commercial players in one-offs. Total of 20 out of 37 original series are VRT productions.

A total of 83 per cent of all productions were commissioned externally. At the level of the public broadcaster, today all fiction productions are produced externally. The largest commercial player, Medialaan (with channels VTM and 2BE) started producing internally and developed their subsidiary, TV Bastards, into a fully operated production department.

Despite having only two relevant broadcasters for TV fiction commissioning, more than twenty production companies have been involved in Flemish TV fiction production between 2009 and 2013. When including sitcoms and children's series, Studio 100 (which follows vertical, horizontal and diversification strategies highly similar to Disney) produced the most TV series (thirteen out of 76). When excluding the former genres, three relevant players – Eyeworks, Skyline and Menuet – accounted for most drama series (Raats et al. 2014: 43a.f.).

Financing and funding mechanisms involved in TV fiction productions

Financing of TV fiction in Flanders almost always relies on a combination of different income streams. Hence every production could be, and mostly is, considered a co-production which has repercussions for rights and revenue. Based on the analysis, six types of financing can be discerned:

1. Broadcasting financing (public and private): Financing for primary rights for linear broadcasting (which also includes catch-up 7days, reruns, and more recently, distribution in AVOD on broadcasters' websites).
2. Direct government funding: This includes government support from the Media Fund, in the form of grants for scriptwriting, project development and the production of TV drama. The Media Fund works as a lever, only investing the minimum a broadcaster is willing to invest. Only independent producers can apply for funding, and a series of additional criteria needs to be met, including obligations to broadcast free-to-air. The Media Fund's budget, however, remains limited. It works with an annual budget of €4,000,000 (for TV drama, documentary and animation combined), and additional funding from

distributors (cf. *infra*). The maximum funding of one project is €1,150,000. Apart from the Media Fund, Screen Flanders invests in TV drama production as well. Screen Flanders is an economic support mechanism, which is also controlled by VAF to support audio-visual productions developed in Flanders. Productions can receive up to €400,000 in the form of down payments on the net revenue of the exploitation of the work. Only productions that demonstrate potential profit from exploitation (e.g. pan-European co-productions), are eligible for funding.

3. Pay-TV operators financing: Telenet (owned by Liberty Global) is currently the only pay-TV operator. It is involved in financing TV drama through the purchasing of preview rights. As a result, TV drama is more often exclusively shown on pay-TV before being aired free-to-air. These rights have caused anxiety among broadcasters in the past, due to paid previews being seen as a mismatch with public broadcasters' universality principle. Since 2014, the new so-called 'Stimulation Decree' obliges service providers to annually contribute to the audio-visual sector, either by investing in co-productions or by supporting the Media Fund. If all players contributed, this would generate an additional €3.6 million. However, at this stage pay-TV operators are either protesting or being reluctant to effectively contribute, leading to a slow start for the Decree (Raats et al. 2014; VRM 2015).
4. Tax shelter financing: Since 2004, the federal Belgian government allows tax benefits to companies investing in film and TV drama. Investors are given a fiscal advantage when investing amounts in audio-visual production. It not only envisages domestic productions, but also attracts foreign investments, leading to an increasing number of co-productions in Belgium. The tax shelter has proven to be enormously popular and is now considered indispensable. In recent years, the measure has proven not to be transparent and caused much of the money to be spent outside the production costs, by allowing obscure financial constructions, which worked counterproductively for the production sector. In 2014, the tax shelter regulation was revised after thorough evaluation.

Budget breakdown and relevance of different types of financing

Contemporary television production is financed by a broad range of sources yet the precise nature of their budgets is rarely revealed in academic analyses. The average budget of a TV fiction production between 2009 and 2014 is €3,095,752 (based on 46 productions). The average budget of series fully paid for by broadcasters is €2,200,000. The average of a series produced without Media Fund financing is €2,910,260. Series that get Media Fund support also tend to involve higher budgets (around €four million). Based on our available data, production budgets did not show a clear increase or decrease from 2009 to 2014. Year 2014 does show a higher average budget, due to the broadcasting of markedly higher-budget prestigious series (including *In Flanders Fields* [2014]).

Table 1: Average budgets per series (2009–2014) ($n=46$).

Types of production	Average budget (€)
All fiction productions (including sitcom, drama series and children's TV >twenty minutes)	3,095,752
Broadcaster only	2,200,000
Series without Media Fund	2,910,260
Series with Media Fund support	4,075,445

The average broadcasting investment between 2009 and 2014 is about €1.8 million. The average of productions without Media Fund financing is €1,744,872 (or 59 per cent of the total budget). The average broadcasting investment for Media Fund supported projects is €1,701,250 (or 42 per cent of the total budget).

Our data, however, show a decrease in broadcasters' relative investments for individual productions (from 65 to 42 per cent). But when looking at the absolute investments, there is no significant decrease noticeable, which could be explained by higher production budgets and the increasing success of other incentives such as a tax shelter (which makes other percentages drop). As we do not have data on all TV fiction between 2009 and 2014, no conclusions can be made on the total volume of

broadcasting investments. Data from the public broadcaster VRT acknowledge there is no substantial downward trend in the total financing of TV fiction. Commercial broadcaster Medialaan added that, based on their calculations, the total investment in TV fiction has even increased since 2011. It might well be that less financing per production was distributed, but more productions were financed.

Table 2: Evolution average broadcasting financing per series (2009–2014).

Year	Average broadcasting financing (€)	Average broadcasting financing (%)
2009 (<i>n</i> =4)	2,248,743	65
2010 (<i>n</i> =8)	1,894,702	64
2011 (<i>n</i> =7)	1,692,899	76
2012 (<i>n</i> =12)	1,705,054	50
2013 (<i>n</i> =8)	1,867,689	63
2014 (<i>n</i> =6)	1,601,090	42

When a tax shelter is included as part of their budget mix, it comprises 26.5 per cent of the budget. The tax shelter immediately became a relevant additional financing source for TV fiction financing.

Productions that included product placement show that it contributes 3.3 per cent of the budget, keeping in mind that often product placement deals are made as barter agreements, and not all product placement deals are included in the budget.

City and regional contributions – when involved – make up for 6.17 per cent of the total budget. The portion of city marketing does show a decrease in recent years, as most cities and regions have been imposing severe cutbacks and therefore have refrained from investing in TV and film.

Producers that include their own profits, do so for approximately 5.2 per cent of the total budget. However, it is not clear where the contributions derive from (foreign sales, profits from exploitation of previous series, savings, additional product placement deals, etc.).

Between 2009 and 2011, the Screen Flanders fund invested in one TV fiction project that matched our definition (*Deadline* 25/05 [2008–2010]). The amount of support from the European MEDIA-programme between 2009 and 2014 for TV

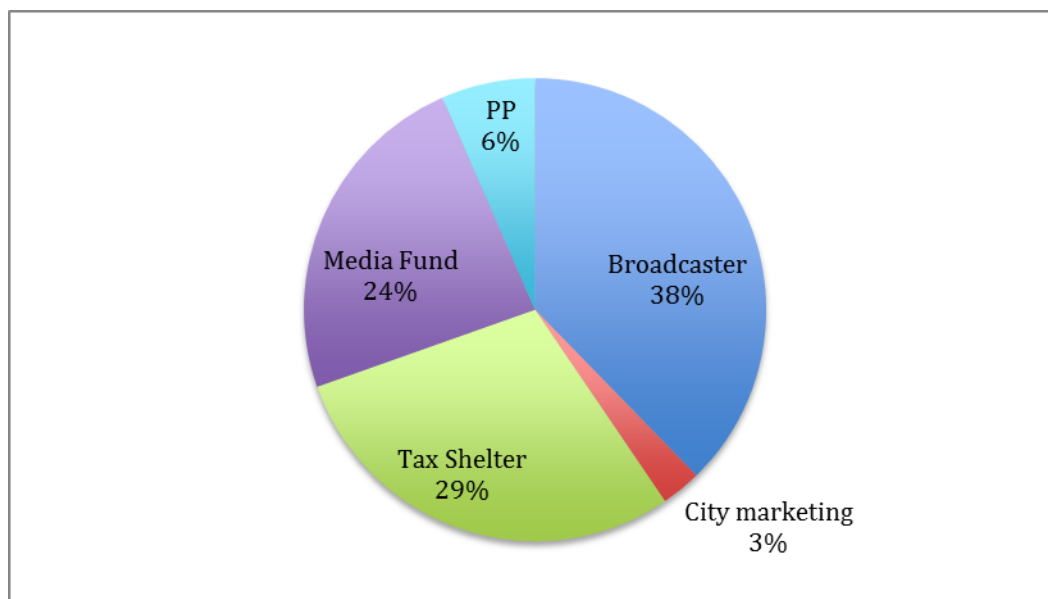
fiction is very low (only one supported project), which is undoubtedly related to the low number of – contrary to the French-speaking part of Belgium – applications in Flanders (Mediadesk 2011).

Between 2009 and 2014 the Flemish VAF/Media Fund awarded 38 productions a total of 60 grants. Most grants entailed screenplay support. A total of 92 per cent of the financing granted entailed production support. Of all subsidies available between 2009 and April 2014, more than half were allocated to productions involving the public broadcaster VRT. €6.3 million was granted to the largest commercial player Medialaan. Others only received minimal funding.

The biggest beneficiaries among the ‘indies’ are also the companies developing most TV fiction projects (Eyeworks, Menuet and Skyline Productions). Note that we could not compare these results with the number of projects that applied for funding. It does, however, seem logical that the largest producers also apply most and have the most eligible proposals.

From our available data, no calculation can be made for averaging all financing sources, as not all productions could be included in our data set, and as all productions comprise a variety of resources. However, an example of a typical ‘prestigious’ TV drama series can be aggregated. Note that calculations were made on the basis of productions that have included all the financing streams included in the graph below. As such, percentages might divert from averages calculated in the analysis above.

Figure 2: Typical budget for series with tax shelter and Media Fund support (in %).



Evaluation: A (precarious) success story?

What can be learned from all of the figures above? Based on our data, as well as the contextualization of the production of TV fiction in small nations (in our case Flanders), we can draw the following conclusions.

Most importantly, no type of financing can recoup the expenses for TV fiction production in full. Revenue from additional exploitation (DVD, VOD, etc.) is marginal and by no means a substantial part of the financing. The only exploitation window that is taken into account in the financing phase in Flanders is the window for preview rights. However, only two productions involved that type of financing between 2009 and 2013. This sharply contrasts with UK financing models, which substantially include pre-buys from United Kingdom and foreign exploitation in the financing phase, or the Scandinavian production model, which relies partly on co-distribution deals with multiple broadcasters (Novrup Redvall 2013; Raats and Steemers 2015).

TV fiction productions in Flanders can, moreover, increasingly be considered co-productions. The number of productions paid for solely by the broadcaster is decreasing. Limited to a number of sitcoms that are not eligible for indirect or direct government grants, they are cheaper to produce and too popular to cancel. In sum, six types of TV fiction productions can be discerned from their financial basis: (1) broadcaster alone; (2) broadcaster with tax shelter; (3) broadcaster, Media Fund and tax shelter (productions involving the biggest budgets); (4) co-productions with a restricted role of the broadcaster (e.g. co-productions with foreign broadcasters); (5) broadcaster, Media Fund, tax shelter and distribution players' support (which is expected to grow if the Stimulation Decree, discussed above, is effectively applied); (6) distribution players producing.

Despite the rise of direct and indirect forms of government support, broadcasters remain the principal financiers of TV series. Various distribution platforms have arisen, but have not replaced broadcasters – so far – as the main venue for domestic TV fiction. Current discussions in Flanders revolve around the potential of pre-sale financing from new players such as Netflix (Raats et al. 2014), but it seems unlikely that these pre-sales will become a relevant and stable form of income for such a small market with restricted scalability. In 2015, cable distributor Telenet did green-light its first production *Chausse d'Amour*, which is the first ever TV drama

production not involving broadcasting investment. However, government support is intrinsically connected to obligations for free-to-air broadcasting, which leaves broadcasters in the driver's seat.

Within this 'Flemish financing model', one type of financing works as a lever for the other, rather than as a substitute. Here, the Media Fund is of pivotal importance. Before being considered as a serious and viable project, projects need to pass through the Media Fund via a quality and feasibility 'test'. However, producers fear that when new players might be involved in the exploitation of TV drama series, ideally allowing bigger budgets and increased potential for foreign sales, both broadcasters and public funds might end up investing less and less. Broadcasters, from their side, argue that when additional windows are involved, 'exclusivity' has to be shared with new players, hence arguing that their content warrants less financial investment (Raats and Steemers 2015).

Our figures indicate that a huge number of productions are produced for relatively small budgets, which might be an indication of the acclaimed efficiency and high-production standards associated with Flemish TV fiction. The problem is not that so many productions are being made per se, but that broadcasters keep investing in as much TV fiction as possible because of the genre's popularity, thereby putting downward pressure on independent producers. Producers, from their side, struggle with higher pressure on existing budgets while consequently having to maintain high production standards. And, as government measures only support TV drama and no other genres, competition between producers increases as more producers – also smaller ones – try to secure public funding and expand their activities to development of TV fiction. Hence, ironically, subsidies aiming at creating continuity and stability might produce exactly the opposite. This also means the sector is up for rationalization, which might entail broadcasters looking at 'fewer, bigger, better' strategies, with an eye on quality for export and to generate a longer life cycle of TV fiction productions.

Lastly, the lack of consistent data on audio-visual productions and budgets, lack of transparency and lack of insight in the workings of budgets and the impact of support mechanisms on the industry is symptomatic of an underlying hurdle for the Flemish audio-visual sector: it moreover contributes to legal obscurity, allowing producers and broadcasters to circumvent existing rules to obtain government

supports from tax shelter and Media Fund financing in the absence of effective government monitoring and control.

Conclusions

Traditionally, European small member states' media policies support mechanisms focused mainly on sustaining production, while overlooking circulation of audio-visual content, and with an emphasis on subsidies as the key support mechanisms (De Vinck 2011; Sparrow 2007). Such a focus is characteristic of the traditional cultural and protectionist stance of small audio-visual markets aiming to protect domestic markets and players. While much has changed, many of the thresholds that warranted a more structural and integrated audio-visual policy in the 1980s continue to exist today (see, e.g., Herold 2010). While this article has demonstrated that the context for financing of audio-visual production in small markets has changed markedly: audio-visual production is still largely dependent on public financing and the lack of market scalability restricts revenue from distribution (in form of co-productions or distribution deals) from becoming a sustainable part of the financial package of TV fiction, contrasting sharply with larger audio-visual markets.

With regard to the former, the analysis showed a huge dependency of public funding, not only directly through the Media Fund, but indirectly through fiscal benefits in the tax shelter scheme, support from cities and regions, and investment from the public broadcaster VRT. In Flanders, attempts have been made to introduce more consistent support based on indirect mechanisms, such as the recent 'Stimulation Decree', but the future of these funding mechanisms is very unclear. With regard to the latter, our findings acknowledge that pre-financing deals with pay-TV, on-demand and DVD distributors for Flemish and foreign sale are rarely included as forms of financing.

In small nations and regions such as Flanders, production is still mostly oriented towards its own market and towards linear broadcasting. The relatively comfortable position that broadcasters and producers enjoyed, due to the availability of various public incentives, and huge popularity of the genre, is explanatory for this domestic focus. This is also clearly noticeable in the very restricted number of cross-cultural collaborations between Flemish and foreign players in the television market. Even co-productions with the Netherlands, which shares cultural proximity and

language, are an exception rather than a rule, and are often perceived as artificial and counterproductive for Flemish high-end drama, thereby echoing discussions in the 1990s on ‘Europudding’ co-productions (De Vinck 2011). Undoubtedly more promising than enforcing cross-border co-production is a clearer focus on distribution and an optimal exploitation of secondary rights that improve circulation in domestic as well as international markets.

In recent years, however, pan-European TV drama productions such as the German Austrian Danish Flemish co-production *The Team* (2015, involving substantial investments from private broadcaster VTM and Flemish distributor *Lumière*), the increased European and international circulation of Flemish TV drama (with series such as *Clan* [2012] and *Cordon* [2014] getting remakes in the United States) and a growing number of TV drama projects involving pre-financing deals with distributors for foreign sales, provide promising examples of a gradual shift away from a domestic, broadcasting and production rather than distribution-oriented logic.

The sustainable future financing of TV fiction in small markets is likely to depend on a combination of factors, such as: the extent of further fragmentation of financing, the ways in which producers can secure profit margins to ensure continuity, the stability of public financing and the position of new international players entering local ecosystems, the potential of new on-demand services and payment models, and the extent to which small markets manage to get their fiction series to travel. Key to making TV financing truly sustainable is the need to explore the potential of distribution mechanisms further, and how the potential of new platforms and services can be exploited, rather than considering them solely as a threat. This calls, however, for coherent and complementary policies, emanating from a well-thoughtout policy toolkit combining direct and indirect support mechanisms, as well as a rationalization on the level of the production sector and an audio-visual ecosystem that ensures a fair and adequate valorization of each potential distribution window.

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Notes

¹ This research was conducted in the framework of a preparatory study for the Flemish Minister of Media.

² To cope with this lack of continuity, producers employ different strategies. Some producers use a typical niche strategy, and focus on uniqueness and core competency in a limited area. By specializing in particular genres, they wish to reduce costs and increase efficiency (Nylund and Mildén 2012). Other producers create scale by entering into output and volume deals, or exclusive partnerships with TV broadcasters in order to secure a larger amount of productions (Norbäck 2010). Others diversify activities and build portfolios in order to spread risks. Some producers are also involved in advertising, corporate communication videos and new media (Lundin and Norbäck 2009). Producers also become part of larger networks in order to create economies of scale. As a result, the independent production sector is marked by a consolidation wave (North and Oliver 2010).

³ This has, for example, been the case for Wallonia (i.e. the French-speaking part of Belgium), which shows a strong presence of French players, as well as a huge popularity of French television channels, thereby limiting popularity of national players and hampering development of domestic content production.

⁴ For example, when one production company produces a TV series for a higher budget than formally agreed, but which is compensated with exclusivity bonuses and profits from other programmes.

⁵ VRT's children channel KETNET followed with six, and commercial channel VIER with four productions (Raats et al. 2014: 43).